# 200-01-County and School Debt Service (Funds 200 and 201)

| Fund: 200/201, County and School Debt Service | |
|---|---|
| **Total Expenditures** | **$206,542,705** |
| **Revenue:** | |
| General Fund Support | $203,538,294 |
| Bond Revenue | $0 |
| Other Revenue | $140,838 |
| **Total Revenue** | **$203,679,132** |

*It should be noted that $2,863,573 from fund balance is used to support the program in FY 2002.

## ▶ Summary of Program

The Debt Service Funds include both County Debt Service and School Debt Service. The County Debt Services Fund accounts for the general obligation bond debt service for the County and Special Revenue Funds. In addition, Debt Service expenditures are included for the Lease Revenue bonds associated with the Community Development Center (the Herrity Building) and the Human Services Center (the Pennino Building) and payments of the Fairfax County Redevelopment and Housing Authority (FCRHA) Lease Revenue bonds. The School Debt Service Fund accounts for the general obligation bond debt service and loans of the Literary Funds of Virginia for the Fairfax County Public Schools (FCPS). Revenues for the debt service funds are derived principally from transfers from the General Fund. It should be noted that Debt Service on sewer revenue bonds is reflected in the Enterprise Funds.

Funding of $206,542,705 includes an amount of $203,538,294 from the General Fund, $25,000 in revenue from Fairfax City, $115,838 from Small District #1, Dranesville (McLean Community Center), and $2,863,573 in fund balances from savings in FY 2001.

This level of expenditure provides for payment of principal and interest on existing and projected general obligation debt (including literary loans), $112,985,000 in lease revenue debt for the Government Center properties and existing and projected FCRHA Lease Revenue bonds, and $600,000 in Special Revenue Fund debt outstanding at the beginning of FY 2002. The estimate is based on the most current cashflow requirements and is consistent with the cashflow indicated in the FY 2002 - FY 2006 Capital Improvement Program (With Future Years to 2009). It should be noted that an amount of $130 million for School bond sales has been approved by the Board of Supervisors for FY 2002.

## ▶ Funding Availability and Future Considerations

Funding requirements are the legal obligations of the County on the General Obligation bonds issued by the Board of Supervisors. As a result of the strong financial condition and management of the County, bond interest costs are minimized. The County's most recent bond sale, in June 2001 resulted in the lowest interest rate since 1975 when the County received the first of its AAA ratings.

## ▶ Funding Methodology

The majority of funding for County Debt Service is provided by the General Fund. Revenue is received from the City of Fairfax for the proportional share of debt service on certain facilities used by the citizens of Fairfax. In addition, bonds issued by sanitary district, like the McLean Community Center are supported by an annual transfer from the Center.

The majority of funding for School Debt Service is provided by the General Fund. However, in FY 2000 and FY 2001 the School Board requested additional debt capacity of $30,000,000 in each year. The School Board agreed to pay the debt service on these additional bonds from State lottery funds. Subsequently, the Board of Supervisors has agreed to assume the FY 2002 debt service of $5.8 million for $60,000,000 in bonds sold for School capital projects as a result of an agreement with the School Board concerning the transfer of the Pine Ridge School site to the Fairfax County Park Authority. It is anticipated that the School Board will resume debt service payments in FY 2003 assuming the availability of State lottery funds.

## ▶ Status of Program

The Board of Supervisors has adopted specific debt indicators within the Ten Principles of Sound Financial Management to effectively manage the County's bonded indebtedness. The Ten Principles state that the County's debt ratios shall be maintained at the following levels:

- Net debt as a percentage of estimated market value should always remain less than 3.0 percent.
- The ratio of debt service expenditures as a percentage of Combined General Fund disbursements should remain under 10.0 percent. To this end, for planning purposes, the target on annual sales will be $150 million, or $750 million over a five-year period, with a technical limit of $175 million in any given year. This planning limit shall exist even though the ratio of debt to taxable property value remains less than 3.0 percent and the ratio of debt service to Combined General Fund disbursements remains less than 10.0 percent.

The Board of Supervisors annually reviews the cash requirements for capital project financing to determine the capacity to incur additional debt for construction of currently funded projects as well as capital projects in the early planning stages. In FY 1992 and FY 1994, bond projects were deferred in order to reduce planned sales and remain within capacity guidelines.

The FY 2002 debt service budget has been prepared on the basis of the construction and bond sale limitations set in place by the Board of Supervisors.

# County and School Debt Service

The following are ratios and annual sales reflecting debt indicators for FY 1998 - FY 2002:

**County and School**
**Net Debt as a Percentage of**
**Market Value of Taxable Property**

| Fiscal Year Ending | Net Bonded Indebtedness | Estimated Market Value | Percentage |
|---|---|---|---|
| 1998 | 1,258,171,800 | 83,471,400,000 | 1.51% |
| 1999 | 1,314,377,875 | 87,086,700,000 | 1.51% |
| 2000 | 1,380,266,450 | 92,692,600,000 | 1.49% |
| 2001 (est.) | 1,442,682,525 | 101,177,400,000 | 1.43% |
| 2002 (est.)[1] | 1,540,216,596 | 107,818,900,000 | 1.43% |

[1] For projection purposes, a sale of $219.29 million has been included for FY 2002.

**County and School**
**Debt Service Requirements as a**
**Percentage of Combined General Fund Disbursements**

| Fiscal Year Ending | Debt Service Requirements[1] | General Fund Disbursements | Percentage |
|---|---|---|---|
| 1998 | 163,501,001 | 1,756,990,140 | 9.3% |
| 1999 | 163,541,092 | 1,849,587,184 | 8.8% |
| 2000 | 176,998,991 | 2,000,540,810 | 8.8% |
| 2001 (est.) | 184,939,144 | 2,182,774,576 | 8.5% |
| 2002 (est.) | 197,630,821 | 2,307,490,473 | 8.6% |

[1] Does not include debt service for EDA lease revenue bonds, Small District debt, or fiscal agent fees.